



## City of Biggs

### **Agenda Item Staff Report for the Regular City Council Meeting: January 24, 2011 6:00PM**

DATE: January 14, 2011

TO: Honorable Mayor and Members of the City Council

FROM: Pete Carr, City Administrator/Finance

SUBJECT: Water Rate Advisory Committee Report (Discussion/Action)

Council-appointed citizen's committee to study and recommend revisions to the water rate structure will report on their activity and recommendations. Council may direct staff to initiate actions to adjust the water rate structure.

#### **Background**

City code provides for annual review of water rates in March. Current city water rates have been in place since 2006.

The city water utility is operating at a deficit now, approximately 8% revenue short of expense; this must be corrected. Approximately half of the customers have unmetered service, thus half are billed at a flat rate, while half are billed a base rate plus a charge for volumetric usage of water.

As indicated in staff reports to Council in 2010, flat rate residential customers today (and since 2006) pay \$46.10 per month including the capital improvement surcharge. Metered customers pay a wide range of bills depending on usage, with the minimum at \$38.57/mo and the upward range well over \$100 during summer months. The average monthly metered bill over a 12-month period is \$55.00.

The Water Rate Advisory Committee was organized by the city in November to study the issue and make recommendations. Committee members included customers Melody Thomas, Jim Rhoades and Mary Frith; city council members Doug Arnold and Bo Sheppard; and city administrator Pete Carr. The committee met five times between November 30 and January 13.

The committee reviewed water utility revenues and costs of operation, noting that most expenses of this utility service are related to employee compensation. The group also considered where opportunities may be for strengthening the revenue stream while balancing equitable distribution in sharing the cost.

## **Recommendation**

The committee recommends to the city council that a rate structure be established that generates revenues sufficient to cover costs plus a modest reserve and provide for future capital expenses; results in equitable distribution of costs by similar bills being paid by all customers except those who use excessive amounts of water; and, enables irrigation for lawns and mow strips as well as vegetable gardens. The city should enforce its water wasting code (BMC 10.20). The committee also expresses concern about the cost of employee salaries and benefits as they impact water rates, and encourages the council to be vigilant in oversight and control of city employee compensation costs.

The committee recommends to the city council the following actions:

1. Install water meters at all industrial and commercial properties including the mill.
2. Apply monthly charges to commercial properties in the same manner residential properties are charged – without regard to occupancy.
3. Adjust rates:
  - o Raise flat rates to \$55.00 per customer per month, including both the water operations charge and the capital improvement charge.
  - o Raise the metered base rate to \$55.00 per customer per month, including both the water operations charge and the capital improvement charge.
  - o Raise the base water volume allotment for metered customers from 1200 cu ft/mo to at least 5,000 cu ft/mo.

*Note: It is acknowledged that some currently metered customers will pay more than they currently pay, and some metered customers will still pay over \$55.00/mo during summer irrigation months.*
4. After implementation of actions 1, 2 and 3, review revenue/expense results and consider asking the voters to approve a senior discount. It is acknowledged 2/3 voter approval may be required, and a 10% discount for seniors could be expected to require an increased rate of approximately 70¢/mo for each of the balance of the city's customers in order to keep the water department whole.
5. Annual rate reviews should include annual operating cost reviews.

Attachment: City Water Service Rates

*Additional background materials were provided in October 2010 packet.*

## **Fiscal Impact of Recommendation:**

No substantial additional cost to city. Increase in revenue approximately \$30,000 annually, balancing FY11 budgeted revenues with budgeted expenses.

## CITY OF BIGGS – FEE SCHEDULES

### WATER SERVICE RATES

**AUTHORITY:** Ordinance No. 347; Ordinance No. 366

**EFFECTIVE DATE:** May 31, 2006

**COROLLARY REFERENCE:** Section 5471 California Health and Safety Code; Section 10.10.045 Biggs Municipal Code

A. Pursuant to the authority granted to it by state law, the City of Biggs hereby establishes the following monthly water rates.

#### Metered Rates:

Pipe Size	Min Service Charge	Min Usage (C.F.)	Rate/Units	Rate/Units
3/4"	35.57	1250	\$8.20/5000	\$6.20/9999
1"	38.57	1500	\$8.20/3805	\$6.20/9999
1.5"	46.57	2183	\$8.20/3805	\$6.20/9999
2"	54.57	3646	\$8.20/1354	\$6.20/9999
3"	105.14	9032	\$6.20/9999	
4"	145.14	15,510	\$6.20/9999	
6"	253.14	32,984	\$6.20./9999	

#### Flat Rates:

Type	Flat Rate
Residential - Single Family	\$41.85
Residential - Multi Family	\$35.00
Churches/Lodges	\$52.85
Business/Retail	\$71.85
Restaurants/Bars	\$81.85
Service Stations	\$182.85
Day Care Centers & Pre School Facilities Up to 10 Children	\$52.85
Day Care Centers & Pre School Facilities More than 10 Children	\$62.85
Schools	Set Case by Case
Industrial	Set Case by Case

**Note: 1.)** Metered Rates are per month. Charges above the minimum usage are based on a per 1000 C.F. amount. i.e. for a 3/4" service that uses more than 1250 C.F. of water the charge is \$8.20 for each 1000 C.F. above that amount to the next tier.

**Note 2.)** The city will continue to collect \$4.25 per month from each account for the Capital Improvement Account.

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